

## Message Text

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51-53

ORIGIN ARA-20

INFO OCT-01 ISO-00 AGR-20 CEA-02 CIAE-00 COME-00 DODE-00

EB-11 FRB-03 H-03 INR-11 INT-08 L-03 LAB-06 NSAE-00

NSC-07 PA-04 RSC-01 AID-20 CIEP-02 SS-20 STR-08

TAR-02 TRSE-00 USIA-15 PRS-01 SP-03 FEAE-00 OMB-01

SWF-02 PM-07 IGA-02 CU-05 DRC-01 /189 R

66605

DRAFTED BY: ARA/BR:AFWATSON

APPROVED BY: ARA/BR:RJBALLANTYNE

IG/ARA:RMELTON

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P 111542Z JUL 74

FM SECSTATE WASHDC

TO AMEMBASSY BRASILIA

C O N F I D E N T I A L STATE 149542

C O R R E C T E D C O P Y (PORTIONS OF TEXT MISSING PARAS  
2 AND 4)

E.O. 11652: GDS

TAGS: PFOR, BR

SUBJECT: PRE IG REVIEW OF BRAZIL CASP

SUMMARY: PRE-IG MET JUNE 5 TO REVIEW BRAZIL CASP. PRINCIPAL TOPICS OF DISCUSSION WERE: OVERVIEW, ESPECIALLY THE AMBASSADOR'S REQUEST FOR AN AUTHORITATIVE CONFIRMATION THAT THERE IS A REAL NET CONTRIBUTION TO US DEFENSE THAT THE BRAZILIAN NAVY CAN MAKE; REDRAFTING OF ISSUE NO- 2 PRIMARILY SO THAT IT WOULD REFLECT THE RIGIDITY OF US LEGISLATION CONCERNING IMPOSITION OF COUNTERVAILING DUTIES; POSSIBLE CHANGES IN THE US NATIONAL DEFENSE INTEREST SECTION SO IT WOULD CONFORM MORE CLOSELY TO THE OVERVIEW; THE COMPOSITION OF THE INTERAGENCY GROUP TO CONSIDER THE POST AID RELATION-  
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SHIP; AND THE SUGGESTED DELETION OF THE ISSUE DEALING WITH

THE PETROLEUM CRISIS. PRE-IG CONSENSUS WAS TO RECOMMEND APPROVAL OF THE CASP SUBJECT TO CERTAIN MODIFICATIONS THE MOST SIGNIFICANT OF WHICH ARE DESCRIBED BELOW FOR THE CT'S COMMENTS. END SUMMARY.

1. IN INTRODUCTORY REMARKS ACTING COUNTRY DIRECTOR NOTED THE HIGH QUALITY OF THE CASP AND THE TIMELINESS OF ITS ANALYSIS ESPECIALLY INASMUCH AS IT WAS PREPARED DURING UNCERTAINTIES SURROUNDING A CHANGE OF ADMINISTRATION.

2. CASP OVERVIEW: PRE-IG REGARDED OVERVIEW AS AN EXCELLENT

PIECE OF ANALYSIS. ONLY TWO SUGGESTIONS WERE MADE :

A) THAT BRAZIL'S ATTITUDE TOWARD THE OAS MIGHT BE DISCUSSED BRIEFLY, AND

B) THAT THE OVERVIEW MIGHT COMMENT ON THE ADEQUACY OF OVERALL US MISSION STAFFING AS REQUESTED IN JANUARY LETTER TO CHIEF OF MISSION FROM EXECUTIVE CHAIRMAN IG/ARA KUBISCH. COMMENT ON THESE POINTS IS INVITED.

3. ISSUES:

A. BRAZILIAN DESIRE FOR IMPROVED ACCESS TO US MARKETS: THE CONSENSUS OF THE PRE-IG WAS THAT THIS SECTION OF THE CASP SHOULD BE REDRAFTED PRIMARILY TO REFLECT THE INFLEXIBILITY OF THE US LEGISLATION CONCERNING THE IMPOSITION OF COUNTERVAILING DUTIES, TO CLARIFY THE RELATIONSHIP BETWEEN THE GATT AND US AND BRAZILIAN POLICIES, AND TO SPECIFY A THREE-TRACK COURSE OF ACTION IN RESOLVING THE ISSUE (I.E. ENCOURAGE GOB REVISION OF THE EXPORT PROMOTION PROGRAM, PUSH FOR PASSAGE OF THE TRA, AND SEEK INTERNATIONAL AGREEMENT ON EXPORT SUBSIDIES). ALSO, INASMUCH AS TEXTILES DO NOT APPEAR TO BE A SERIOUS PROBLEM WITHIN THE CASP TIME FRAME, THE PRE-IG RECOMMENDS DROPPING ASSUMPTION NO. 6.

B. EFFORTS TO CONSOLIDATE US INFLUENCE WITH BRAZILIAN MILITARY: IN AN EFFORT TO RESPOND TO REQUEST IN OVERCONFIDENTIAL

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VIEW FOR AUTHORITATIVE CONFIRMATION THAT THERE IS A REAL NET CONTRIBUTION WHICH THE BRAZILIAN NAVY CAN MAKE TO US DEFENSE, THE PRE-IG SUGGESTED THAT THE ISSUE RESOLUTION SECTION INCLUDE A RECOMMENDATION THAT AN INTER-AGENCY GROUP, CHAIRED BY JCS, BE FORMED TO DETERMINE WHETHER THE BRAZILIAN NAVY CAN MAKE A REAL CONTRIBUTION TO US NATIONAL DEFENSE AND, IF SO, WHAT STEPS SHOULD BE TAKEN TO FACILITATE THAT CONTRIBUTION AND HOW IT WILL AFFECT OUR OVERALL

RELATIONSHIP WITH BRAZIL.

C. POST AID RELATIONSHIP: PRE-IG RECOMMENDED THAT REPRESENTATIVES OF STATE, AID AND USIA MEET TO DETERMINE THE SCOPE OF WORK AND PERSONNEL OF THE GROUP WHICH WILL DEFINE THE POST AID RELATIONSHIP. PRE-IG BELIEVED A COMPARABLE GROUP SHOULD BE ESTABLISHED WITHIN THE COUNTRY TEAM.

D. PROBLEMS CREATED BY PETROLEUM CRISIS: PRE-IG RECOMMENDED THAT ISSUE NO. 5 BE DELETED BECAUSE IT IS NOT ONE OVER WHICH THE US HAS SUFFICIENT INFLUENCE TO WARRANT CATEGORIZATION AS A CASP ISSUE.

#### 4. INTEREST ANALYSIS:

A. WORLD ORDER: PRE-IG NOTED THAT DESCRIPTION OF PROJECTED CONDITIONS IN FY 75 COULD BE MODIFIED TO REFLECT THE POSSIBILITY OF A BROADER PATTERN OF DIFFERENCES LIKELY TO DEVELOP BETWEEN THE US AND BRAZIL WHICH IS SO WELL DESCRIBED IN THE OVERVIEW. IT WAS PROPOSED THAT THE SECTION ENTITLED, "BRAZILIAN POSITION" BEGIN WITH THE FOLLOWING THREE SENTENCES: "BRAZIL'S RAPID ECONOMIC DEVELOPMENT WHICH IS DEPENDENT UPON INCREASING EXPORTS, ITS DRIVE FOR THE INTERNATIONAL INFLUENCE TO WHICH IT ASPIRES AND ITS MORE PRECISE IDENTIFICATION OF ITS NATIONAL INTERESTS WILL MAKE THE COUNTRY AN INCREASINGLY AGGRESSIVE AND SOPHISTICATED ACTOR ON THE INTERNATIONAL SCENE. CONSEQUENTLY, DIFFERENCES ON A BROADER VARIETY OF ISSUES ARE LIKELY TO DEVELOP BETWEEN BRAZIL AND THE US DURING THE TIME FRAME OF THE CASP. ONE ARENA IN WHICH THESE DIFFERENCES COULD BECOME CRITICAL IN THE NEAR FUTURE IS THE SOUTHERN CONE." SECTION WOULD THEN CONTINUE AS IS.

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B. US ECONOMIC PROSPERITY: PRE-IG RECOMMENDED SEVERAL MINOR ORGANIZATIONAL CHANGES IN THIS SECTION IN ORDER THAT IT CONFORM MORE CLOSELY WITH THE REDRAFT OF ISSUE NO. 2. WE WILL HANDLE THIS AT DESK LEVEL.

C. US NATIONAL DEFENSE - PRE-IG AGREED TO SOLICIT CT'S VIEWS CONCERNING A PROPOSAL DESIGNED TO BRING THE CASP'S DISCUSSION OF THE US RELATIONSHIP WITH THE BRAZILIAN ARMED FORCES IN LINE WITH THE VIEW EXPRESSED IN THE AMBASSADOR'S OVERVIEW THAT "THE RATIONALE FOR POSITIVE RESPONSES TO REASONABLE BRAZILIAN EQUIPMENT REQUESTS IS PRIMARILY POLITICAL AND SECONDARILY COMMERCIAL" AND HIS SUBSEQUENT QUESTIONING OF THE CONTRIBUTION THAT THE BRAZILIAN ARMED FORCES CAN MAKE TO US DEFENSE. ACCORDING

TO THIS PROPOSAL MUCH OF THE MATERIAL WOULD BE MOVED TO THE "INTEREST SUBSECTION" ENTITLED, "FAVORABLE DISPOSITION OF BRAZILIANS TO THE UNITED STATES." THE LEVEL OF CONCERN FOR THIS INTEREST WOULD BE INCREASED FROM "MEDIUM" TO "HIGH". THE "US NATIONAL DEFENSE INTEREST" SUBSECTION WOULD BE ASSIGNED A LOW LEVEL OF CONCERN AND PUT IN ABBREVIATED FORM AT THE BACK OF THE CASP UNDER "OTHER INTERESTS". COURSES OF ACTION NOW UNDER "US NATIONAL DEFENSE" WOULD BE DISTRIBUTED UNDER THE WORLD ORDER, US ECONOMIC PROSPERITY AND FAVORABLE DISPOSITION OF BRAZILIANS TO THE US INTEREST SUBSECTIONS. CT'S VIEWS ON THIS PROPOSAL REQUESTED AS SOON AS POSSIBLE.

D. POLITICAL DEVELOPMENT: IG-STAFF SUGGESTS THAT LEVEL OF CONCERN FOR THIS INTEREST BE REDUCED TO LOW BECAUSE OF THE LIMITED EFFECT THE USG HAS UPON IT. THE DISCUSSION COULD BE REDUCED TO A SINGLE PARAGRAPH AND THE INTEREST INCLUDED UNDER "OTHER INTERESTS".

5. RESOURCE LEVELS:

A. CU REPRESENTATIVE SUGGESTS FOLLOWING CHANGE IN COURSE OF ACTION PORTION OF "FAVORABLE DISPOSITION OF BRAZILIANS TOWARD US" SUBSECTION:

1. UNDER A 1-4 CHANGE "ESTIMATED FY 76 RESOURCES"  
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FROM 466 CU TO 500 CU.

2. UNDER A 3-4 CHANGE ESTIMATED FY 76 RESOURCES  
FROM 113CU TO 150CU.

3. UNDER A 4-4 CHANGE "ESTIMATED FY 75 RESOURCES"  
FROM 68CU TO 16CU. CHANGE "ESTIMATED FY 76 RESOURCES" FROM  
68CU TO 20CU.

4. UNDER A 5-1 AND 2 CASP CARRIES ENTRY OF 128  
FOR FY 76. WE WILL CORRECT "CHANGE" COLUMN TO REFLECT  
THIS, BUT REQUEST YOUR FURNISHING ENTRY FOR "REASON"  
COLUMN.

6. ANNEX A TABLE 1:

A. CHANGE "FY 75 PLANNED" UNDER CULTURAL PROGRAM  
FROM 700 TO 605. CHANGE "FY 76 PLANNED" FROM 700 TO 680.

B. GIVEN THE CURRENT AND FORESEEABLE RATE OF INFLATION, THE ENTRIES IN TABLE 1 OF ANNEX A WHICH INDICATE THAT THE LEVEL OF USIS RESOURCES WILL REMAIN UNCHANGED IN

FY 74, FY 75 AND FY 76, MEAN IN FACT A DECLINING LEVEL OF RESOURCES OVER THE CASP PERIOD. USIA REPRESENTATIVE RECOMMENDS THAT ENTRIES FOR FY 75 AND 76 BE INCREASED TO 5331 AND 5807 RESPECTIVELY. ALSO, USIA RESOURCES CONTAINED IN THE BODY OF THE CASP DO NOT SEEM TO TOTAL THE AMOUNT ENTERED IN TABLE 1.

7. SECTION D OF CASP EVALUATION REPORT FOR FY1974 DOES NOT APPEAR TO TRACK. D 1-2 IS MISSING AND D 1-3 TO END DO NOT APPEAR TO RELATE TO "STRENGTHENING DEMOCRATIC INSTITUTIONS". PLEASE ADVISE.

8. WOULD APPRECIATE EMBASSY COMMENT BEFORE COB JULY 12.  
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## Message Attributes

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